

HEARTLAND COMMUNICATIONS FACILITY AUTHORITY

Basic Financial Statements and  
Independent Auditors' Report

For the Year Ended June 30, 2008

DATE RECEIVED:



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Assigned To: ln

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Reviewer's Initials: gl

Date Review(s) Completed: 8/10/09



ROGERS, ANDERSON, MALODY & SCOTT, LLP

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Board of Directors  
Heartland Communications Facility Authority  
El Cajon, California

### Independent Auditors' Report

We have audited the accompanying financial statements of the governmental activities and each major fund of the Heartland Communications Facility Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the management of the Authority. Our responsibility is to express opinions on these financial statements based on our audit. The prior year summarized comparative financial information has been derived from the Authority's 2007 financial statements which were audited by us, and in our report dated October 19, 2007, we expressed an unqualified opinion on the financial statements.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and the significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the Authority as of June 30, 2008 and the respective changes in financial position thereof for the year then ended, in conformity with accounting principles generally accepted in the United States of America.

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The budgetary comparison information on page 19 is not a required part of the financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

The Authority has not presented *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 12, 2008 on our consideration of the Authority's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

*Rogers, Anderson, Molody & Scott, LLP*

November 12, 2008

**Heartland Communications Facility Authority**  
**Statement of Net Assets**  
**June 30, 2008**  
**(with prior year data for comparison purposes only)**

	Governmental Activities	
	2008	2007
Assets:		
Cash and investments (note 2)	\$ 790,922	\$ 1,019,818
Receivables:		
Accounts	129,641	54,586
Interest	7,624	11,193
Capital assets, net of accumulated depreciation (note 3)	58,844	107,347
Total assets	987,031	1,192,944
Liabilities:		
Accounts payable	106,250	125,950
Unearned revenue	-	183,589
Non-current liabilities: (note 5)		
Due within one year	72,849	78,000
Due in more than one year	8,094	6,723
Total liabilities	187,193	394,262
Net assets:		
Investment in capital assets	58,844	107,347
Restricted	357,158	378,271
Unrestricted	383,836	313,064
Total net assets	\$ 799,838	\$ 798,682

The accompanying notes are an integral part of these financial statements.

**Heartland Communications Facility Authority**  
**Statement of Activities**  
**For the Year Ended June 30, 2008**  
**(with prior year data for comparison purposes only)**

Functions/Programs:	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets	
		Charges for Services	Operating Grants and Contributions	Governmental Activities	
				2008	2007
Governmental activities:					
General government	\$ 2,567,830	\$ 2,313,858	\$ 183,589	\$ (70,383)	\$ 59,443
Interest on long-term debt	-	-	-	-	(4,161)
Total governmental activities	<u>\$ 2,567,830</u>	<u>\$ 2,313,858</u>	<u>\$ 183,589</u>	<u>(70,383)</u>	<u>55,282</u>
General revenues:					
Investment income				54,711	53,210
Other				<u>16,828</u>	<u>7,890</u>
Total general revenues				<u>71,539</u>	<u>61,100</u>
Change in net assets				1,156	116,382
Net assets, beginning				<u>798,682</u>	<u>682,300</u>
Net assets, ending				<u>\$ 799,838</u>	<u>\$ 798,682</u>

The accompanying notes are an integral part of these financial statements.

**Heartland Communications Facility Authority**  
**Balance Sheet**  
**June 30, 2008**  
(with prior year data for comparison purposes only)

	General Fund	Special Revenue Funds		Totals	
		Grant Fund	Projects Fund	2008	2007
Assets:					
Cash and investments (note 2)	\$ 427,563	\$ -	\$ 363,359	\$ 790,922	\$ 1,019,818
Receivables:					
Accounts	129,641	-	-	129,641	54,586
Interest	5,100	-	2,524	7,624	11,193
Total assets	<u>\$ 562,304</u>	<u>\$ -</u>	<u>\$ 365,883</u>	<u>\$ 928,187</u>	<u>\$ 1,085,597</u>
Liabilities:					
Accounts payable	\$ 97,525	\$ -	\$ 8,725	\$ 106,250	\$ 125,950
Deferred revenue	-	-	-	-	183,589
Total liabilities	<u>97,525</u>	<u>-</u>	<u>8,725</u>	<u>106,250</u>	<u>309,539</u>
Fund balance:					
Unreserved:					
Designated:					
Reported in Special Revenue Fund	-	-	357,158	357,158	397,787
Undesignated:					
Reported in General Fund	<u>464,779</u>	<u>-</u>	<u>-</u>	<u>464,779</u>	<u>378,271</u>
Total fund balances	<u>464,779</u>	<u>-</u>	<u>357,158</u>	<u>821,937</u>	<u>776,058</u>
Total liabilities and fund balances	<u>\$ 562,304</u>	<u>\$ -</u>	<u>\$ 365,883</u>	<u>\$ 928,187</u>	<u>\$ 1,085,597</u>

The accompanying notes are an integral part of these financial statements.

**Heartland Communications Facility Authority**  
**Reconciliation of the Balance Sheet of**  
**Governmental Funds to the Statement of Net Assets**  
**June 30, 2008**

Fund balances of governmental funds	\$ 821,937
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets, net of depreciation used in governmental activities are not financial resources and, therefore, are not reported in the funds.	
Capital assets	1,058,022
Accumulated depreciation	(999,178)
Long term liabilities are not due and payable in the current period and, therefore, are not reported in the funds.	
Compensated absences	<u>(80,943)</u>
Net assets of governmental activities	<u><u>\$ 799,838</u></u>

The accompanying notes are an integral part of these financial statements.

**Heartland Communications Facility Authority**  
**Statement of Revenues, Expenditures and Changes in Fund Balances**  
**For the Year Ended June 30, 2008**  
**(with prior year data for comparison purposes only)**

	General Fund	Special Revenue Funds		Totals	
		Grant Fund	Projects Fund	2008	2007
Revenues:					
Intergovernmental	\$ 2,097,894	\$ 183,589	\$ -	\$ 2,281,483	\$ 2,192,365
Charges for services	215,964	-	-	215,964	232,290
Investment income	34,889	3,617	16,205	54,711	53,210
Other	4,157	-	12,671	16,828	7,890
Total revenues	2,352,904	187,206	28,876	2,568,986	2,485,755
Expenditures:					
Current:					
Public safety	2,197,893	199,660	-	2,397,553	2,224,291
Capital outlay	-	-	125,554	125,554	20,000
Debt service:					
Principal	-	-	-	-	138,852
Interest	-	-	-	-	4,161
Total expenditures	2,197,893	199,660	125,554	2,523,107	2,387,304
Excess of revenues over (under) expenditures	155,011	(12,454)	(96,678)	45,879	98,451
Other financing sources (uses):					
Transfers in	-	-	68,503	68,503	437,271
Transfers out	(68,503)	-	-	(68,503)	(437,271)
Total other financing sources (uses)	(68,503)	-	68,503	-	-
Net change in fund balances	86,508	(12,454)	(28,175)	45,879	98,451
Fund balances, beginning	378,271	12,454	385,333	776,058	677,607
Fund balances, ending	\$ 464,779	\$ -	\$ 357,158	\$ 821,937	\$ 776,058

The accompanying notes are an integral part of these financial statements.



**Heartland Communications Facility Authority  
Reconciliation of the Statement of Revenues,  
Expenditures and Changes in Fund Balances of  
Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2008**

Net change in fund balances - total governmental funds	\$ 45,879
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Amounts reported for governmental activities in the statement of activities  
are different because:

Governmental funds report capital outlays as expenditures. However, in  
the statement of activities the cost of those assets is allocated over  
their estimated useful lives reported as depreciation expense.

Capital outlay	27,297
Depreciation expense	(75,800)

Some expenses reported on the statement of activities do not require  
the use of current financial resources and, therefore, are not reported  
as expenditures in governmental funds.

Change in compensated absences	<u>3,780</u>
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Change in net assets of governmental activities	<u><u>\$ 1,156</u></u>
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The accompanying notes are an integral part of these financial statements.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

(1) Summary of Significant Accounting Policies

(a) Organization

Heartland Communications Facility Authority (the Authority) was created on June 25, 1986 (amended July 1, 2001) by a Joint Exercise of Powers Agreement (the Agreement) between the City of El Cajon (the City), City of Lemon Grove, City of Santee, City of La Mesa, City of Coronado, City of Imperial Beach, City of National City, Alpine Fire Protection District, East County Fire Protection District, Lakeside Fire Protection District, San Miguel Fire Protection District, and Bonita Fire Protection District, all in California (collectively Member Agencies). This agreement shall continue in full force and effect as long as the number of Member Agencies is not reduced below two, or until such time as the Member Agencies agree to terminate the Agreement.

The Authority was formed to equip, maintain, operate, and staff a facility that provides emergency call receiving and dispatching services to the Member Agencies. The Authority also provides services to other public agencies on a contract basis. As of June 30, 2008, the Authority provided contract services to the County of San Diego Emergency Medical Services (Rural Paramedic Program) and the Inland Zone Fire Protection District.

One elected official from each Member Agency including the City of El Cajon is appointed to the Authority as a board member of the commission (the Commission). The Commission approves an annual budget based upon the costs of operating the Authority.

The books and records for the Authority are located in the City of El Cajon, Finance Department at 200 East Main Street, El Cajon, California 92020.

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation

The *financial statements* of the Authority are composed of the following:

- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements

**Heartland Communications Facility Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

(1) Summary of Significant Accounting Policies, (Continued)

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation  
(Continued)

**Government-wide Financial Statements**

Government-wide financial statements are presented using the *economic resources measurement focus* and the *accrual basis of accounting*. Under the economic resources measurement focus, all (both current and long-term) economic resources and obligations of the reporting government are reported in the government-wide financial statements. *Basis of accounting* refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Under the accrual basis of accounting, revenues, expenses, gains, losses, assets, and liabilities resulting from exchange and exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, and liabilities resulting from nonexchange transaction are recognized in accordance with the requirements of GASB Statement No. 33.

Program revenues include charges for services and payments made by parties outside of the reporting government's citizenry if that money is restricted to a particular program. Program revenues are netted with program expenses in the statement of activities to present the net cost of each program.

Amounts paid to acquire capital assets are capitalized as assets in the government-wide financial statements, rather than reported as an expenditure. Proceeds of long-term debt are recorded as a liability in the government-wide financial statements, rather than as an other financing source. Amounts paid to reduce long-term indebtedness of the reporting government are reported as a reduction of the related liability, rather than as an expenditure.

**Fund Financial Statements**

Government fund financial statements are reported using the *current financial resources measurement focus* and the *modified-accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period.

For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures are recorded only when payment is due.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

(1) Summary of Significant Accounting Policies, (Continued)

(b) Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

The Authority reports the following as major governmental funds:

The General Fund is used to account for all financial resources except those required to be accounted for in another fund.

The Grant Fund is a Special Revenue Fund used to account for the financial resources pertaining to the administration of grant funds for the Inland Fire Agencies.

The Projects Fund is a Special Revenue Fund used to account for the financial resources associated with the acquisition of equipment for the Authority.

(c) Annual Budgets

The Authority adopts an annual budget prepared on the modified accrual basis of accounting for its General Fund only.

(d) Cash and Investments

Investments are reported in the accompanying balance sheet at fair value, except for non-participating certificates of deposit and investment contracts that are not transferable and that have terms that are not affected by changes in market interest rates. Changes in fair value that occur during a fiscal year are recognized as *investment income* reported for that fiscal year. *Investment income* includes interest earnings, changes in fair value, and any gains or losses realized upon the liquidation or sale of investments.

The City of El Cajon pools cash and investments of all City funds, City component units and for certain other agencies, including the Authority. The Authority's share in this pool is displayed in the accompanying financial statements as *cash and investments*. Investment income earned by the pooled investments is allocated monthly to the various City funds and to the Authority based on daily average cash and investment balances.

(e) Capital Assets

Capital assets are recorded as expenditures in the governmental fund types at time of purchase. Assets with an initial cost of \$5,000 or more are capitalized at cost. In the case of acquisitions through gifts or contributions, such assets are recorded at fair market value at the time received. Costs or normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

(1) Summary of Significant Accounting Policies, (Continued)

(e) Capital Assets (Continued)

Equipment of the Authority is depreciated using the straight-line method over the estimated useful life of five years.

(f) Compensated Absences Payable

Accumulated vacation, sick leave benefits and compensatory time, payable in future years when used by Authority employees, amounted to \$80,943 at June 30, 2008. These amounts are payable from future resources, rather than currently available expendable resources, and, therefore have been reflected as a liability in the Government-wide Financial Statements. Also see note 5 to the financial statements regarding further information for compensated absences payable.

(g) Use of Estimates

The financial statements have been prepared in accordance with generally accepted accounting principles and necessarily include amounts based on estimates and assumptions by management. Actual results could differ from those amounts.

(h) Prior Year Data

The information included in the accompanying financial statements for the prior year has been presented for comparison purposes only and does not represent a complete presentation in accordance with generally accepted accounting principles. Certain minor reclassifications of prior year data have been made in order to enhance their comparability with current year figures.

(i) Implementation of New Pronouncements

Effective July 1, 2007, the Heartland Communities Facility Authority adopted a new accounting statement issued by the Governmental Accounting Standards Board (GASB):

Statement No. 50, *Pension Disclosures*

This Statement amends Statement 27 to require cost-sharing employers to include, in the note disclosure the required contribution rates of the employer in dollars and the percentage of that amount contributed for the current year and each of the two preceding years and how the contractually required contribution rate is determined. This Statement also requires each employer to present as RSI the schedule of funding progress and employer contributions for the plan.

**Heartland Communications Facility Authority  
Notes to the Financial Statements  
For the Year Ended June 30, 2008**

**(2) Cash and Investments**

Cash and investments as of June 30, 2008 are classified in the accompanying financial statements as follows:

Statement of net assets:

Cash and investments	<u>\$ 790,922</u>
Total cash and investments	<u><u>\$ 790,922</u></u>

Cash and investments held by the Authority at June 30, 2008 consist of the following:

Equity in City's investment pool	<u>\$ 790,922</u>
Total cash and investments	<u><u>\$ 790,922</u></u>

**Equity in the Cash and Investment Pool of the City of El Cajon**

The Authority has no separate bank accounts or investments other than Authority's equity in the cash and investment pool managed by the City of El Cajon. The Authority is a voluntary participant in that pool. This pool is governed by and under the regulatory oversight of the Investment Policy adopted by the City Council of the City of El Cajon. The Authority has not adopted an investment policy separate from that of the City of El Cajon. The fair value of the Authority's investment in this pool is reported in the accompanying financial statements at amounts based upon the Authority's pro-rata share of the fair value calculated by the City for the entire City portfolio. The balance available for withdrawal is based on the accounting records maintained by the City, which are recorded on an original cost basis. Refer to the City of El Cajon's Comprehensive Annual Financial Report for additional information.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

(3) Capital Assets

The following is a summary of changes in the capital assets during the fiscal year:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deletions</u>	<u>Ending Balance</u>
<u>Governmental Activities:</u>				
Capital assets, being depreciated				
Equipment	\$ 1,030,725	\$ 27,297	\$ -	\$ 1,058,022
Total capital assets, being depreciated	<u>1,030,725</u>	<u>27,297</u>	<u>-</u>	<u>1,058,022</u>
Less accumulated depreciation for:				
Equipment	(923,378)	(75,800)	-	(999,178)
Total accumulated depreciation	<u>(923,378)</u>	<u>(75,800)</u>	<u>-</u>	<u>(999,178)</u>
Total capital assets, being depreciated, net	<u>\$ 107,347</u>	<u>\$ (48,503)</u>	<u>\$ -</u>	<u>\$ 58,844</u>

Depreciation expense was charged to the following function of the Authority as follows:

Public safety	<u>\$ 75,800</u>
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(4) Operating Leases

Heartland Communications Facility

The Authority leases its facility from the City of El Cajon at a monthly rate of \$3,395 per month subject to CPI increases. The term of this lease is through December 31, 2008. Rental expense for the year ended June 30, 2008 was \$40,283.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

**(5) Long-Term Liabilities**

The following is a summary of changes in long-term liabilities of the Authority for the year ended June 30, 2008:

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Retirements</u>	<u>Ending Balance</u>	<u>Amount due within one year</u>	<u>Amount due after one year</u>
Compensated absences	<u>\$ 84,723</u>	<u>\$ 80,957</u>	<u>\$ (84,737)</u>	<u>\$ 80,943</u>	<u>\$ 72,849</u>	<u>\$ 8,094</u>

Compensated absences are typically liquidated from the General Fund.

**(6) Transfers In/Out**

For the year ended June 30, 2008, transfers in/out are as follows:

<u>Receiving Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Special Revenue Fund	General Fund	<u>\$ 68,503</u>

**(7) Deferred Compensation Plan**

The Authority offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan, available to all full-time Authority employees, permits them to defer a portion of their salary to be deposited in individual investment accounts. Funds may be withdrawn by participants upon termination, retirement, death or certified emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries.



**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

**(8) Defined Benefit Pension Plan (PERS)**

The Authority contributes to the California Public Employees Retirement System (PERS), a cost-sharing multiple-employer public employee defined benefit pension plan. PERS provides retirement, disability benefits, and death benefits to plan members and beneficiaries. PERS acts as a common investment and administrative agent for participating public entities within the State of California. Copies of PERS' annual financial report may be obtained from its executive office at 400 P Street, Sacramento, California 95814.

All full-time Authority employees are eligible to participate in PERS with benefits vesting after five years of service. Employees who retire at age 55 are entitled to an annual retirement benefit, payable monthly for life, in increasing percentage increments up to 2.7% of their average full-time monthly pay rate for the highest 12 consecutive months for each year of credited service.

Participants in the plan are required to contribute 8% of their annual covered salary. The Authority makes the contributions required of Authority employees on their behalf and for their account. Benefit provisions and all other requirements are established by state statute and town contract with employee bargaining groups. The Authority's payroll for employees covered by PERS for the year ended June 30, 2008 was \$1,018,861.

Under GASB 27, an employer reports an annual pension cost (APC) equal to the annual required contribution (ARC) plus an adjustment for the cumulative difference between the APC and the employer's actual plan contribution for the year. The cumulative difference is called the net pension obligation (NPO). The ARC for the period July 1, 2007 to June 30, 2008 has been determined by an actuarial valuation of the plan as of June 30, 2005. The contribution rate indicated for the period is 14.508% of covered payroll. In order to calculate the dollar value of the ARC for inclusion in financial statements prepared as of June 30, 2008, this contribution rate would be multiplied by the payroll of covered employees that was actually paid during the period July 1, 2007 to June 30, 2008.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

(8) Defined Benefit Pension Plan (PERS) (continued)

A summary of principle assumptions and methods used to determine the annual required contribution is shown below:

Valuation date	June 30, 2005
Actuarial cost method	Entry Age Actuarial Cost Method
Amortization method	Level Percent of Payroll
Average remaining period	16 years of the Valuation Date
Asset valuation method	15 year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.75% (net of administrative expenses)
Projected salary increases	3.25% to 14.45% depending on age, service and type of employment
Inflation	3.00%
Payroll growth	3.25%
Individual salary growth	A merit scale varying by duration of employment coupled with an assumed annual inflation component of 3.00% and an annual production growth of .25%.

Initial unfunded liabilities are amortized over a closed period that depends on the plan's date of entry into CalPERS. Subsequent plan amendments are amortized as a level percentage of pay over a closed 20-year period. Gains and losses that occur in the operation of the plan are amortized over a rolling period, which results in an amortization of 10% of unamortized gains and losses each year. If the plan's accrued liability exceeds the actuarial value of plan assets, then the amortization payment on the total unfunded liability may not be lower than the payment calculated over a 30 year amortization period.

Assembly Bill 1974, which added Sections 20840-20842 to the California Government Code allowed PERS to create risk pools and mandate public agency participation in those pools. Commencing with the valuation of June 30, 2003, mandatory pooling was established for plans with less than 100 active members. As a result, the Authority was required to participate in a risk pool of other organizations with less than 100 employees. The valuation report as of June 30, 2006, contained two sections: 1) the specific information of the plan including the development of the pooled contribution rate, and 2) the report of the Risk Pool Actuarial Valuation as of June 30, 2006.

**Heartland Communications Facility Authority**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2008**

(8) Defined Benefit Pension Plan (PERS), (Continued)

At the time of joining the risk pool (valuation of June 30, 2003), a side fund was created to account for the difference between the funded status of the pool and funded status of the Authority's plan. The side fund for the Authority's plan as of the June 30, 2006 valuation was a negative \$431,894.

The side fund will be credited, on an annual basis, with the actuarial investment return assumption. This assumption is currently 7.75%. The negative side fund will cause the Authority's required employer contribution rate to be increased by the amortization of the side fund. In the absence of subsequent contract amendments or funding changes, the side fund will disappear at the end of the amortization period. The amortization period remaining as of June 30, 2006, was 15 years.

Three Year Trend Information

<u>Fiscal Year</u>	<u>Annual Pension Cost (APC)</u>	<u>Percentage of APC Contributed</u>	<u>Net Pension Obligation</u>
June 30, 2006	\$ 234,359	100%	\$ -0-
June 30, 2007	\$ 231,612	100%	\$ -0-
June 30, 2008	\$ 229,325	100%	\$ -0-

(9) Insurance Coverage

The Authority has purchased commercial insurance which provides coverage for general and automobile liabilities of up to \$4,000,000 per occurrence with American Alternative Insurance Corporation.

**Required Supplementary Information**  
**Heartland Communications Facility Authority**  
**Budgetary Comparison Schedule - General Fund**  
**For the Year Ended June 30, 2008**

	Budgeted Amounts			Variance with
	Original	Final	Actual	Final Budget
Revenues:				
Intergovernmental	\$ 2,097,890	\$ 2,097,890	\$ 2,097,894	\$ 4
Charges for services	204,650	204,650	215,964	11,314
Investment income	20,250	20,250	34,889	14,639
Other	-	-	4,157	4,157
Total revenues	2,322,790	2,322,790	2,352,904	30,114
Expenditures:				
Current:				
Public safety	2,238,837	2,238,837	2,197,893	40,944
Total expenditures	2,238,837	2,238,837	2,197,893	40,944
Excess (deficiency) of revenues over (under) expenditures	83,953	83,953	155,011	71,058
Other financing sources:				
Transfers out	(68,503)	(68,503)	(68,503)	-
Total other financing sources	(68,503)	(68,503)	(68,503)	-
Net change in fund balance	15,450	15,450	86,508	71,058
Fund balance, beginning	378,271	378,271	378,271	-
Fund balance, ending	\$ 393,721	\$ 393,721	\$ 464,779	\$ 71,058

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Authority's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the Members of the Board and management and is not intended to be and should not be used by anyone other than these specified parties.

*Rogers, Anderson, Molody & Scott, LLP*

November 12, 2008



**CALIFORNIA EMERGENCY MANAGEMENT AGENCY**  
**LOCAL ASSISTANCE MONITORING BRANCH**  
 3650 SCHRIEVER AVENUE  
 MATHER, CALIFORNIA 95655  
 PHONE: (916) 845-8120 FAX: (916) 845-8380



July 9, 2009

Audit # 04940

Ms. Valerie Nellis  
 Administrative Coordinator  
 Heartland Communications Facility Authority  
 100 East Lexington Avenue  
 El Cajon, CA 92090

SUBJECT: SINGLE AUDIT REPORT FOR THE PERIOD ENDED JUNE 30, 2008  
 FIPS #073-91041

Dear Ms. Nellis:

Since the California Emergency Management Agency (CalEMA) (formerly the Governor's Office of Emergency Services (OES)) is subject to the requirements of Office of Management and Budget Circular A-133, Audits of States, Local Governments and Nonprofit Organizations, the CalEMA is required to monitor its subrecipients of federal awards to determine whether they have met the audit requirements of the Circular. The Circular specifically requires non-federal entities that expend \$500,000 or more in a year in federal awards to have either an annual single or program-specific audit, and that the audit report be submitted within nine months after the end of the audit period.

To date, an audit report for your organization for the year ended June 30, 2008 has not been received by the CalEMA. Accordingly, the CalEMA is requesting that you check one of the following options listed below, and return a signed copy of this letter to the above address within 30 days of its date, along with all appropriate documentation regarding your organization's compliance with the audit requirement. If findings were noted in your audit report, please include a summary of your management responses and corrective actions taken. In addition, please submit a copy of any separate letter to management mentioned in the audit report.

<p>SSB</p> <p><input checked="" type="checkbox"/></p>	<p>We have completed our A-133 audit for fiscal year(s) ended <u><del>June 30, 2008</del></u>. A copy of the audit report(s) is enclosed.</p>
<p><input type="checkbox"/></p>	<p>We expect our A-133 audit for fiscal year(s) ended _____ will be completed by _____. A copy of our audit report along with our management responses and corrective actions taken related to any findings will be forwarded to the CalEMA within 30 days of receipt of the report.</p>
<p><input checked="" type="checkbox"/></p>	<p>We are not subject to A-133 audit because:</p> <p><input type="checkbox"/> We are a for-profit organization</p> <p><input checked="" type="checkbox"/> We expend less than \$500,000 in federal awards annually</p> <p><input type="checkbox"/> We are a component entity of the following organization and included in its A-133 audit:</p> <p>Other (please explain)  <u>please see enclosed financial statements</u></p>

Ms. Valerie Nellis  
July 9, 2009  
Page 2

This is to certify that, to the best of our knowledge and belief, the data furnished above is accurate, complete and current.

Sarah Bullock  
Type or Print Name  
July 13, 2009  
Date

Financial Operations Mgr  
Title  
Sarah E Bullock  
Signature

If you have any questions regarding this issue, please contact our office at (916) 845-8120.

Sincerely,

Catherine Lewis

CATHERINE LEWIS  
INTERIM BRANCH CHIEF